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UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA

IN RE: CASE No. 08-12710
TRUE SPIRITS, LLC, CHAPTER 11
AMENDED
Debtor. / DISCLOSURE STATEMENT

I

A. INTRODUCTION.

True Spirits, LLC, hereafter referred to as "Debtor" submits this Disclosure Statement to all of its known creditors and interest holders entitled to same pursuant to section 1125 of the United States Bankruptcy Code 11 U.S.C. section 101, et seq. ("the bankruptcy code"). The purpose of this Disclosure Statement is to provide creditors of the debtor with such information as may be deemed material, important and necessary in order to make a reasonably informed decision in exercising the right to vote on the Debtor's Chapter 11 Plan(the "Plan") described below. The Debtor's Chapter 11 Plan has been filed with this Court.

NO REPRESENTATIONS CONCERNING THE DEBTOR (INCLUDING THE VALUE OF ASSETS, ANY PROPERTY AND CREDITORS CLAIMS)INCONSISTENT WITH ANYTHING CONTAINED HEREIN HAVE BEEN AUTHORIZED. Except as otherwise expressly stated, the portions of this Disclosure Statement

1 describing the Debtor and the Plan have been prepared from
2 information obtained from the Debtor.

3 Under the Plan, Secured claims, to the extent allowed as
4 secured claims pursuant to 11 U.S.C. Section 506, and to the extent
5 of the validity of the security interest is determined by the Court
6 and not otherwise avoidable will be paid in full. Unsecured claims
7 shall be paid the aggregate sum of \$248,000 in 84 equal monthly
8 installments without interest. The Plan provides that the amount to
9 be distributed under the Plan to holders of allowed unsecured claims
10 is estimated at 30%.

11 A Chapter 7 liquidation could take up to three years before
12 distribution is made, if any, and additional Administrative expenses
13 would be incurred. Tax consequences of liquidation, expenses of
14 sale, professional fees and trustee's fees are administrative
15 expenses in a Chapter 7 liquidation and paid before prepetition
16 claims are paid. Administrative expenses of Chapter 11 are also
17 paid prior to payment of prepetition claims.

18 B. FILING OF REORGANIZATION CASE.

19 On December 17, 2008, the Debtor filed its petition pursuant to
20 Chapter 11 of the Bankruptcy Code. Since that time the Debtor has
21 remained in possession of the property as debtor in possession.

22 C. MANNER OF VOTING.

23 All creditors entitled to vote on the Plan may cast their votes
24 for or against the Plan by completing, dating, signing and causing
25 the Ballot Form accompanying this Disclosure Statement to be sent to
26 the Debtor's counsel prior to the date set by the Court for the
27 filing of such ballots.

1 D. CONFIRMATION OF THE PLAN.

2 1. Solicitation of Acceptance.

3 This Disclosure Statement has been approved by the Bankruptcy
4 Court in accordance with section 1125 of the bankruptcy code and is
5 provided to each creditor whose claim has been scheduled by the
6 Debtor or who has filed a Proof of Claim against the Debtor and to
7 each interest holder of record as of the date of approval of this
8 Disclosure Statement. The Disclosure Statement is intended to
9 assist creditors and interest holders in evaluating the Plan and in
10 determining whether to accept the Plan. Under the bankruptcy code,
11 acceptance of the Plan may not be solicited unless a copy of this
12 Disclosure Statement is received prior to or concurrently with such
13 solicitation.

14 2. Persons Entitled to Vote on Plan.

15 Only the votes of Classes of claimants and interest holders
16 which are impaired by the Plan are counted in connection with
17 confirmation of the Plan. Generally and subject to the specific
18 provisions of bankruptcy code section 1124, this includes creditors
19 who, under the Plan, will receive less than payment in full of their
20 creditor's claims.

21 In determining acceptance of the Plan, votes will only be
22 counted if submitted by a creditor whose claim is duly scheduled by
23 the debtor, as undisputed, non-contingent and unliquidated, or who,
24 prior to the hearing on confirmation, has filed with the court a
25 Proof of Claim which has not been disallowed or suspended prior to
26 computation of the votes on the Plan. The Ballot form which you
27 receive does not constitute a Proof of Claim. If you are in any way
28 uncertain whether or not your claim has been correctly scheduled,

1 you should review the Debtor's schedules which are on file in the
2 Bankruptcy Court. The clerk of the Bankruptcy Court will not
3 provide this information by telephone.

4 3. Hearing on Confirmation of the Plan.

5 The Bankruptcy Court will set a hearing to determine whether
6 the Plan has been accepted by the requisite number of creditors and
7 interest holders and whether the other requirements of confirmation
8 of the Plan have been satisfied. Each creditor and interest holder
9 will receive, either with this Disclosure Statement or separately,
10 the Bankruptcy Court's Notice of Hearing on Confirmation of the
11 Plan.

12 4. Acceptance Necessary to Confirm Plan.

13 At the scheduled hearing, the Bankruptcy Court must determine,
14 among other things, whether the Plan has been accepted by each
15 impaired Class. Under bankruptcy code section 1125 an impaired
16 Class is deemed to have accepted the Plan if at least two thirds in
17 amount and more than one-half in number of the allowed claims or
18 interest of Class members who have voted to accept or reject the
19 Plan have voted for acceptance of the Plan. Further, unless there
20 is unanimous acceptance of the Plan by an impaired Class, the
21 Bankruptcy Court must also determine that under the Plan Class
22 members will receive property of a value, as of the effective date
23 of the Plan, that is not less than the amount that such Class
24 members would receive or retain if the Debtor was liquidated under
25 Chapter 7 of the Bankruptcy Code on the effective date of the Plan.

26 5. Confirmation of the Plan Without Necessary
27 Acceptance.

28 The Plan may be confirmed even if it is not accepted by one or

1 all of the impaired Classes, if the Bankruptcy Court finds that the
2 Plan does not discriminate unfairly against and is fair and
3 equitable as to such Class or Classes.

4 II

5 A. DESCRIPTION OF DEBTOR AND HISTORICAL BACKGROUND.

6 True Spirits, under the name of Cahill Winery, has been
7 providing winemaking services and producing wine for more than four
8 years. Harvests for 2007 and 2008 were light which reduced the
9 demand for services causing a strain on the debtor's income.
10 Concentration has been focused on production as the demand for
11 services declined.

12 The winery was started by Donald Payne, Michael Giacomini and
13 Mark Cidio. Mr. Cidio has since left the organization. The initial
14 equity participants were unable to contribute equity as originally
15 contemplated and loans were taken from relatives for the start up of
16 the company.

17 The current products include bottled and bulk wines which are
18 sold by the Debtor on wholesale and retail markets. Also included
19 are *niche* products, i.e., dessert wine, port, and 24 DEGREES. 24
20 DEGREES is a unique premium wine product used by restaurants without
21 full bars to prepare mixed drinks. The Debtor's winery is permitted
22 for production of 40,000 cases annually. An additional 12 acres on
23 the property has been cleared and is available for planting in the
24 Green Valley Appellation.

25 The Debtor continues to produce wines and related products and
26 provide custom services for winemaking. The Monthly Operating
27 Reports do not reflect sufficient sales to enable the Debtor to
28 perform under the terms of the Plan. Debtor believes that it will

1 produce sufficient revenue through sales of product as well as its
2 custom crushing business. Debtor currently has 150 tons of grapes
3 under contract for custom crushing services. The 24 product is with
4 four different distributors in five states. The Debtor's wine is
5 with a number of retailers and restaurants as well as distributors
6 through which it believes the market in China will be opened for its
7 products, including 24. The products are represented by 5 sales
8 representatives in California. Between 3,000 and 4,000 cases will
9 be produced in 2010 of branded wine in 2010 with a portion being
10 exported to China. Preliminary projections prepared by a business
11 consultant project favorable results as to profitability under the
12 Plan as proposed. Debtor has a marketing plan in place. The
13 Debtor, however, is not certain that the Plan will be successful,
14 but believes that it will.

15 First Community Bank, through counsel has requested further
16 documentation which could relate to its anticipated objection to
17 confirmation based upon feasibility. Debtor has no further
18 documentation, other than proprietary documents, relating to current
19 marketing strategies. The economic environment is a factor in the
20 ultimate prospects for the Debtor's marketing strategy.

21 B. THE PLAN.

22 The Plan divides claims and interests into eleven (11)
23 classes. The classes consist of the following:

24 Class 1 Claims. Allowed claims entitled to priority pursuant
25 to Section 507 of the Code.

26 Class 2 Claims. Allowed secured claims of the County of Sonoma
27 based upon the secured tax roll

28 Class 3 Claims. Allowed secured claim of First Community Bank

1 secured by real property located at 4950 Ross Rd., Sebastopol,
2 California.

3 Class 4 Claims. Allowed secured claim (2nd) of Bay Area
4 Development secured by real property located at 4950 Ross Rd.,
5 Sebastopol, California.

6 Class 5 Claims. Allowed secured claim (3rd) of Roger Gadow
7 secured by real property located at 4950 Ross Rd., Sebastopol,
8 California.

9 Class 6 Claims. Allowed secured claim (4th) of Mark Ciddo
10 secured by real property located at 4950 Ross Rd., Sebastopol,
11 California.

12 Class 7 Claims. Allowed secured claim of Pinnacle Leasing
13 secured by equipment, tractor, press, ozone machine, labeling
14 machine.

15 Class 8 Claims. Allowed secured claim of Mark Ciddo secured by
16 equipment.

17 Class 9 Claims. Allowed claims of creditors other than those
18 holding allowed Class 1 Claims, Class 2 Claims, Class 3 Claims,
19 Class 4 Claims, Class 5 Claims, Class 6 Claims, Class 7 Claims,
20 Class 8 Claims, Class 10 Claims and Class 11 Interests, including,
21 but not limited to, whose claims may arise out of the rejection of
22 executory contracts and secured creditors to the extent that the
23 Court finds the same unsecured in whole or in part.

24 Class 10 Claims. Allowed claims of creditors other than those
25 holding allowed Class 1 Claims, Class 2 Claims, Class 3 Claims,
26 Class 4 Claims, Class 5 Claims, Class 6 Claims, Class 7 Claims,
27 Class 8 Claims, Class 9 Claims and Class 11 Interests, whose claims
28 may arise out of the rejection of executory contracts and secured

creditors to the extent that the Court finds the same unsecured in whole or in part and which creditors are insiders of the Debtor herein.

Class 11 Interests. Allowed interests of shareholders of Debtor herein.

The Plan treats the classes as follows:

Class 1 Claims are impaired. Holders of allowed Class 1 Claims shall be paid in twenty four equal monthly installments of principle and interest at the statutory rate following the effective date of the Plan.

Class 2 Claims are impaired. Holders of allowed Class 2 Claims shall be placed on a five year plan as provided under California law. Such holders shall retain its lien on the collateral.

Class 3 Claims are impaired. Holders of allowed Class 3 Claims shall be paid the amount of its secured claim in full in equal monthly installments of principle and interest at the market rate based upon a 30 year full amortization commencing on the first day of the month following the effective date of the Plan. Such holder shall retain its lien on the collateral.

Class 4 Claims are impaired. Holders of allowed Class 4 Claims shall be paid the amount of its secured claim in full in equal monthly installments of principle and interest at the market rate based upon a 30 year full amortization commencing on the first day of the month following the effective date of the Plan. Such holder shall retain its lien on the collateral.

Class 5 Claims are impaired. Holders of allowed Class 5 Claims shall be paid an amount equal to such holder's interest in the Debtor's interest in the collateral in equal monthly installments of

1 principle and interest at the market rate based upon a 25 year
2 amortization commencing on the first day of the month following the
3 effective date of the Plan. Such holder shall retain its lien on
4 the collateral for the secured portion of its allowed claim.

5 Class 6 Claims are impaired. The secured claim of holders of
6 allowed Class 6 Claims shall be determined pursuant to 11 U.S.C.
7 Section 506. To the extent such holder has a secured claim, such
8 holder shall be paid an amount equal to such holder's interest in
9 the Debtor's interest in the collateral at the market rate of
10 interest in monthly installments of principle and interest based
11 upon 30 year amortization. The right of Debtor or any other party
12 interest to obtain a determination of subordination pursuant to 11
13 U.S.C. Section 510(b) is specifically reserved. To the extent such
14 holder's interest in the collateral is not subordinated, such holder
15 shall retain its security interest in the collateral.

16 Class 7 Claims are impaired. Holders of allowed Class 7 Claims
17 shall be paid an amount equal to such holder's interest in the
18 Debtor's interest in the collateral in monthly installments of
19 principle and interest at a market rate based upon a 5 year full
20 amortization. Said payments shall commence on the first day of the
21 month following the effective date of the Plan. Such holder shall
22 retain its security interest in the collateral

23 Class 8 Claims are impaired. Holders of allowed Class 8 Claims
24 shall be paid an amount equal to such holder's interest in the
25 Debtor's interest in the collateral in monthly installments of
26 principle and interest at a market rate based upon a 30 year
27 amortization. Debtor and any other party in interest shall retain
28 rights to request subordination of such claim pursuant to 11 U.S.C.

1 Section 510(b). Such holder shall retain its security interest in
2 the collateral to the extent of the secured portion of such claim
3 and subject to the rights of parties in interest, including Debtor,
4 to request subordination.

5 Class 9 Claims are impaired. Holders of allowed Class 9 Claims
6 shall be paid the aggregate sum of \$248,000 in 84 equal monthly
7 installments without interest. Such payments shall be disbursed on
8 a prorata basis to such holders on a quarterly basis or more
9 frequently.

10 Class 10 Claims are impaired. Holders of allowed Class 10
11 Claims shall be paid the aggregate sum of \$100,000 in 90 monthly
12 installments commencing on the 85th month following the effective
13 date of the Plan. The claims of such holders shall be subordinated
14 to all other allowed claims in the case and shall not be paid any
15 distribution until Class 9 Claims are paid in full as herein above
16 provided. Such holders shall have an option on the 1st anniversary
17 of the Effective Date of converting such subordinated claim to
18 equity.

19 Class 11 Interests are impaired. Holders of allowed Class 11
20 Interests shall retain such interests subject to the terms of the
21 Plan provided that additional operating capital is contributed by
22 such holders in the aggregate amount of \$125,000 prior to the 1st
23 anniversary of the Effective Date of the Plan. The property of the
24 estate shall revert in the Debtor on the effective date of the Plan
25 subject to the terms of the Plan.

26 THE PLAN PROVIDES FOR THE MEANS OF EXECUTION AS FOLLOWS:

27 1. Debtor shall continue to operate its custom wine making,
28 storage and distribution business at its present location with its

1 current employees.

2 2. Debtor shall continue to market its new product through
3 standard alcoholic beverage distribution means.

4 3. From the proceeds of sale of the products and services,
5 Debtor will pay in monthly installments claims commencing on the
6 first day of the month after the effective date of the Plan and as
7 provided herein as follows:

8 a. A five year tax Plan with the County of Sonoma
9 to retire the balance due on the secured tax roll;

10 b. The amount due, if any, on taxes which are
11 entitled to a Section 507 priority;

12 c. A payment to the holder of the allowed Class 3,
13 4, and 7 Claims as herein provided.

14 4. Debtor shall deposit a sum equal to 1/84th of the
15 aggregate sum of \$248,000 into a disbursing account each month
16 commencing on the Effective Date of the Plan. Disbursements shall
17 be made from such account to holders of allowed Class 9 Claims on a
18 prorata basis on a quarterly or more frequent basis.

19 5. Debtor shall solicit equity investment in the entity and
20 may dilute the present equity by as much as 80% to obtain additional
21 capital. Said additional capital shall be invested on account of
22 Class 10 Interests in a sum no less than \$125,000.

23 6. Debtor shall request a determination of the value of the
24 collateral of Class 3, Class 4, Class 5, Class 6 and Class 8 Claims
25 pursuant to Section 506 of the Code. The Motion shall be filed on
26 or before thirty (30) days following the Effective Date.

27 7. No party shall take any action against the Debtor, his
28 assets, or assets of the estate inconsistent with the terms of the

1 within Plan.

2 8. Debtor shall continue to operate its business of custom
3 wine making and wine making of grapes purchased. Debtor shall
4 continue to sell such product on the bulk market, through brokers
5 and distributors and direct sales. Debtor shall continue to market
6 its product produced from grape as a substitute for distilled
7 alcohol through distributors.

8 9. The Debtor shall comply with post confirmation reporting
9 requirements to the U.S. Trustee and payment of U.S. Trustee fees
10 post confirmation until entry of Final Order as required by law.
11 Nothing contained in the Plan shall impose or expand the
12 requirements for reporting and payment of fees as set forth by
13 statute and/or case law. In the event the case is converted to a
14 case under Chapter 7, the assets shall revert in the Chapter 7
15 estate. Debtor shall be the disbursing agent absent appointment of
16 another person or entity by the Court at the time of confirmation.

17 10. Debtor may object to claims as appropriate and all rights
18 of counterclaim and setoff as to any party filing a claim against
19 the estate are specifically reserved.

20 IV

21 The assets and liabilities of the Debtor are set forth in the
22 Debtor's Schedules, on file with the Court. The Proponent believes
23 that the terms of the Plan are feasible, and that it will be able to
24 perform under the Plan. The Debtor requests confirmation of the
25 Plan.

26 Dated: 3/18/10

DAVID N. CHANDLER, p.c.

27
28 By: /s/David N. Chandler
DAVID N. CHANDLER
Attorney for Debtor